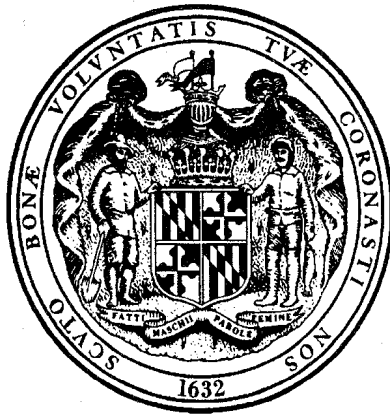


Audit Report

**University of Maryland School of Nursing
Governor's Wellmobile Program**

January 2003



Office of Legislative Audits
Department of Legislative Services
Maryland General Assembly

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

January 24, 2003

Delegate Van T. Mitchell, Co-Chair, Joint Audit Committee
Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the University of Maryland School of Nursing - Governor's Wellmobile Program for the period beginning October 1, 2000 and ending June 30, 2002.

Our audit disclosed that the Program did not include all required information in its annual report as required by law.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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Background Information

Organization and General Information

The Governor's Wellmobile Program was created in 1994 as a private/public partnership to provide direct health services for families in medically under-served communities that have poor health status indicators. Since its inception, the University of Maryland School of Nursing has been responsible for administering and providing support services to the Program. Direct State funding of the Program was discontinued in 1999 and it was operated until 2001 solely from private grants and donations received through the University of Maryland Baltimore Foundation, Inc. For fiscal years 2001 and 2002, the State provided a total of \$600,000 to help fund the operation of the program; however, significant Program operating costs continued to be funded by private grants and donations. This private funding is provided by the Foundation, both as direct grants to the Program and, we were advised, by indirect support, whereby the Foundation directly pays certain Program expenses outside of the State's accounting system. No direct funding for the Program's operation was included in the State's 2003 fiscal year budget.

Chapter 376, Laws of Maryland, 2000, effective October 1, 2000, provided a statutory basis for the Program and established an advisory board to oversee its operation. Under the provisions of the law, the Program continues to be administered by the School of Nursing. This law also authorized University of Maryland, Baltimore to establish a nonprofit corporation to accept public and private grants and donations for the Program. The University has elected to continue to use the University of Maryland Baltimore Foundation, Inc. for this purpose. As highlighted in its 2002 annual report, the Program obtained a funding commitment from Connect MD, Inc. (a private foundation) for the operation of three Wellmobile vehicles. This funding is channeled through the University of Maryland Baltimore Foundation, Inc.

Chapter 376 also required the Office of Legislative Audits to audit the accounts and transactions of the Program. In accordance with our authority we directed our efforts to those transactions processed through State accounts and excluded transactions processed by the University of Maryland Baltimore Foundation, Inc., to which we do not have access.

As of June 30, 2002, there were four Wellmobile vehicles serving individuals located in Central Maryland (Baltimore, Montgomery and Prince George's Counties), Lower Eastern Shore (Somerset, Wicomico and Worcester Counties), Upper Eastern Shore (Caroline, Dorchester Queen Anne's and Talbot Counties), and Western Maryland (Allegany County). According to the Program's records services were provided to 2,604 individuals during fiscal year 2002.

Financial Information

The following summary of financial information is based on the records of the University of Maryland, Baltimore for the Governor's Wellmobile Program for the fiscal year ended June 30, 2002. It excludes financial data (donations and related expenditures) processed exclusively through the University of Maryland Baltimore Foundation, Inc. Additionally, this summary is not intended to, and does not provide the financial position and results of operations in accordance with generally accepted accounting principles. Specifically, certain financial statements and disclosures (such as, balance sheet, summary of significant accounting policies) have not been provided as required by generally accepted accounting principles.

Summary of Fiscal Year 2002 Financial Activity

Costs of Operation

Salaries and Fringe Benefits	\$393,000
Motor Vehicle Service Agreements and Maintenance Expenses	83,000
Medical and Laboratory Supplies	29,000
Travel Expenses	16,000
Other Operating Expenses	38,000
Total Costs of Operation	\$559,000

Sources of Funding

Federal (Medicaid Reimbursement)	\$196,000
State Appropriation	121,000
Private Funding	242,000 ⁽¹⁾
Total Operating Funds	\$559,000

Source: University of Maryland School of Nursing

(1) Donations received through the University of Maryland Baltimore Foundation, Inc.

The above financial data does not include the disbursement of \$238,913 made during fiscal year 2002 for purchase of a Wellmobile unit for the Lower Eastern Shore Region since the related funds were encumbered during fiscal year 2001. This vehicle, and a similar vehicle purchased during fiscal year 2001, were primarily funded by a \$400,000 fiscal year 2001 deficiency appropriation from the State of Maryland.

Finding 1

The Governor's Wellmobile Program did not comply with certain reporting requirements contained in State law.

Analysis

The Governor's Wellmobile Program did not submit an annual report of its fiscal year 2001 activities to the Governor and General Assembly as required by the Health General Article, Section 13-1303 of the Annotated Code of Maryland. In addition, the annual report submitted for fiscal year 2002 did not include certain required information.

For example, the law requires the annual report to include information regarding funding received from public and private sources. Although the 2002 Annual Report highlighted certain gifts made to the Program, it did not detail all funding received. Furthermore, the report did not contain data regarding the condition and maintenance expenses of the vehicles used to provide health care services. Finally, while not specifically required, the report did not include the value of Program costs paid directly by the University of Maryland Baltimore Foundation, Inc. or the amount of the fiscal year 2002 State appropriation expended, both of which are necessary to enable the report users to identify the total operational costs and related funding of the Program. For example, the Program's records indicated that only \$121,000 of the State's \$200,000 fiscal year 2002 appropriation was used for Wellmobile expenses. We were advised by officials from the School of Nursing that the balance of this appropriation was not spent, but was used to meet the School's cost containment goals; however, this information was not disclosed in the Program's annual report.

The Health General Article, Section 13-1303 of the Annotated Code of Maryland requires that an annual report of the Program's activities be submitted to the Governor and the State Legislature by the first of September. This law further provides that such annual reports include, among other things, the number of individuals served by the Program, funding received from public and private sources, and any recommendations for enhancing or furthering the purposes of the Program.

Recommendation 1

We recommend that the Program comply with the reporting requirements of State law by submitting comprehensive annual reports detailing the Program's activities to the Governor and General Assembly.

Audit Scope, Objectives and Methodology

We have audited the University of Maryland School of Nursing - Governor's Wellmobile Program for the period beginning October 1, 2000 and ending June 30, 2002. The audit was conducted in accordance with generally accepted government auditing standards.

The Health General Article, Section 13-1303(d) of the Annotated Code of Maryland, provides that the Office of Legislative Audits shall audit the accounts and records of the Governor's Wellmobile Program annually as prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland. The objectives of this audit were to examine the Program's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel and the inspection of documents and records related to the Program's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives.

Our audit did not include certain support services (payroll, processing of invoices, maintenance of budgetary account records) provided to the Governor's Wellmobile Program by the University of Maryland, Baltimore. These support services are included in our audit report on the University of Maryland, Baltimore.

The University's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities that are functioning properly.

This report does not include any findings relating to conditions we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the University's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report does include a finding regarding a significant instance of noncompliance with applicable laws, rules or regulations.

The response from the University System of Maryland Office, on behalf of the University, to our finding and recommendation, is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the University regarding the results of our review of its response.



APPENDIX

OFFICE OF THE CHANCELLOR

January 16, 2003

Mr. Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building
301 West Preston Street
Baltimore, Maryland 21201

**Re: Audit of University System of Maryland,
University of Maryland School of Nursing
Governor's Wellmobile Program
Period of Audit: October 1, 2000 to June 30, 2002**

Dear Mr. Myers:

I have enclosed the University System of Maryland's response to your draft report covering the examination of the account and records of the University of Maryland School of Nursing, Governor's Wellmobile Program. Our comments refer to the individual item contained in the report.

Sincerely,

WE Kirwan

William E. Kirwan
Chancellor

Enclosure

WEK:pn

cc: Dr. David J. Ramsay, President, UMB
Mr. James Hill, Vice President, Administration and Finance, UMB
Mr. Joseph F. Vivona, Vice Chancellor, Administration and Finance, USM Office
Mr. Alfred S. Chavez, Director, Internal Audit, USM Office

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UNIVERSITY OF MARYLAND EASTERN SHORE 1886 • FROSTBURG STATE UNIVERSITY 1898 • COPPIN STATE COLLEGE 1900 • SALISBURY STATE UNIVERSITY 1925
UNIVERSITY OF BALTIMORE 1925 • UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE 1925 • UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE 1947
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY 1966 • UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE 1985

**RESPONSE TO THE LEGISLATIVE REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND SCHOOL OF NURSING
GOVERNOR'S WELLMOBILE PROGRAM
OCTOBER 1, 2000 – JUNE 30, 2002**

Finding 1

The Governor's Wellmobile program did not comply with certain reporting requirements contained in state law.

Recommendation 1

We recommend that the School of Nursing in conjunction with the Governor's Wellmobile Program Advisory Board comply with the reporting requirements of State law by submitting annual reports detailing the Program's activities to the Governor and General Assembly as required by the aforementioned law.

Response 1

We agree with the Auditor's recommendation and, in the future, will comply with the reporting requirements of Maryland's Annotated Code.

AUDIT TEAM

Gregory A. Hook, CPA
Director – Performance Audits

Kenneth R. Barton
Senior Auditor